

Uintah Water Conservancy District

FINANCIAL STATEMENTS

Year ending December 31, 2005

Table of Contents

Table of Contents	2
Independent Auditors' Report.....	4
Management's Discussion and Analysis.....	5
Government-wide Financial Statements:	
Statement of Net Assets.....	10
Statement of Activities	11
Reconciliations:	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fund Financial Statements:	
Balance Sheet--Governmental Funds.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Governmental Funds	15
Budget and Actual--General Fund	16
Notes to Financial Statement	17
Yellow Book Report (Internal Controls and Compliance).....	29
Utah State Compliance Report.....	30

Financial Section



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
and
UTAH ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Uintah Water Conservancy District
Vernal, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of Uintah Water Conservancy District as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Uintah Water Conservancy District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of Uintah Water Conservancy District as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2006 on our consideration of the Uintah Water Conservancy District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the schedule of infrastructure, see Table of Contents for page numbers, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Aycock, Miles & Associates, CPAs

February 4, 2006

Management's Discussion and Analysis

As management of Uintah Water Conservancy District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended December 31, 2005.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $\$10,435,909 - \$7,215,342 = \$3,220,567$. Of this amount, \$482,354 is unrestricted and available to meet the District's ongoing obligations.
- The District had \$7,168,763 in current and long-term debt at the closest year-end, a decrease of \$244,744.
- Fixed assets net of accumulated depreciation increased \$670,437 largely due to the completion of a storage tank.
- Net assets increased by \$323,509 from the prior year.
- The District's total assets of \$10,435,909 were 5.1% unrestricted cash and receivables.
- Current assets exceed current liabilities at closest year-end: $\$855,342 - \$294,887 = \$560,455$.
- All liabilities exceed current assets at closest year-end: $\$7,215,342 - \$855,342 = \$6,360,000$.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the District is water conservation. The District has no business-type activities.

Government-wide financial statements can be found later in this report, see the Table of Contents for page numbers.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be put into one category: governmental funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund. The District considers all governmental funds to be major funds.

The District adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found later in this report, see the Table of Contents for page numbers.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report please see the Table of Contents for page numbers.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$3,220,567 at the close of the most recent fiscal year.

The largest portion of the District's net assets was capital assets. Unrestricted net assets accounted for 15% of the District's total net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Restricted assets (funds capital projects and debt reserves, etc.) comprised 10%. Capital assets comprised 75% of total net assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

<u>Net Assets</u>	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Current and other assets	855,342	1,519,095
Notes receivable	6,528,993	6,453,562
Net capital assets	<u>3,051,574</u>	<u>2,381,137</u>
Total assets	10,435,909	10,353,794
Current liabilities	294,887	276,856
Long-term liabilities	<u>6,920,455</u>	<u>7,179,879</u>
Total liabilities	<u>7,215,342</u>	<u>7,456,735</u>
Net assets:		
Capital assets, net of related debt	2,411,804	1,421,192
Restricted	326,409	914,715
Unrestricted	<u>482,354</u>	<u>561,152</u>
Total net assets	<u>\$ 3,220,567</u>	<u>\$ 2,897,059</u>

Capital projects are, for the most part, fully funded by grants and loans, City participation, and property tax revenues which exceed remaining operating and administration expenses.

Government activities— Key elements of the governmental activities and business-type activities are as follows.

<u>Change in Net Assets</u>	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Program revenues:		
Charges for services	\$ 496,219	\$ 462,531
Operating grants	-	-
Capital grants	-	881,494
General revenues:		
Property taxes	887,697	762,313
Revenue of long-term agreements	246,227	34,772
Miscellaneous revenues	67,275	10,728
Earnings on investments	<u>178,182</u>	<u>181,280</u>
Total revenues	1,875,600	2,333,118
Expenses:		
Water conservation & distribution	<u>1,552,091</u>	<u>1,207,179</u>
Total expenses	<u>1,552,091</u>	<u>1,207,179</u>
Increase in net assets	<u>\$ 323,509</u>	<u>\$ 1,125,939</u>

Operating and capital grants will vary year to year based on project funding. Water conservation and distribution expenses were similar to the prior year. Revenues changed due to variation in grant proceeds and the increase in property taxes.

Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are two types of funds: governmental funds and proprietary funds.

Governmental funds—The focus of the District's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$808,763, a decrease of \$667,103 in comparison with the prior year. This total fund balance amount is \$326,409 reserved, \$162,164 designated, and \$320,190 unreserved. Unreserved fund balances are available for spending at the government's discretion. The large decrease in overall fund balance occurred due to the District self-financing the completion of a water storage tank..

At the most recent fiscal year end, the fund balance of the general fund was \$807,437, a decrease of \$666,889; and the capital projects fund was \$1,326, a decrease of \$214.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, reserved fund balance of the general fund was \$325,083, designated was \$162,164, and unreserved fund balance was \$320,190. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents about 29% of total general fund expenditures excluding capital outlay.

Fund Budgetary Highlights

Amendments may be made to the funds' original budgets to more accurately reflect the expected expenses and revenue as the year progresses. The District amended their budget this year in order to accommodate the additional costs of certain capital outlay projects and an additional loan payment during the year.

Capital Asset and Debt Administration

Capital assets—As of December 31, 2005, the District's investment in capital assets for its governmental activities amounts to \$3,051,574 (net of accumulated depreciation). These capital assets are land, land improvements, buildings, transportation equipment, office equipment, and water systems. Net capital assets of governmental activities increased \$670,437 because construction projects exceeded depreciation.

<u>Net Capital Assets</u>	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 58,281	\$ 58,281
Buildings & equipment, net	<u>2,993,293</u>	<u>2,322,856</u>
Total capital assets, net	<u>\$ 3,051,574</u>	<u>\$ 2,381,137</u>

Long-term debt--The District had long-term debt activity for the following notes payable during the year.

	<u>2005</u>	<u>2004</u>
Governmental Funds:		
Vernal Unit--Irrigation	\$ 298,567	\$ 328,567
Jensen Unit--Irrigation	435,000	450,000
Jensen Unit--M & I	4,483,296	4,562,865
Vernal Unit--Modification	840,000	840,000
CIB 1999 Revenue Bond, Reach III	286,000	302,000
Zions Bank Line of Credit	537,900	630,075
CIB 2004 Revenue Bond, Water Tank	<u>288,000</u>	<u>300,000</u>
Total Principle Outstanding	7,168,763	7,413,507
Less: Current Portion	<u>(248,308)</u>	<u>(233,628)</u>
Total Long-term Debt	<u>\$ 6,920,455</u>	<u>\$ 7,179,879</u>

Economic Factors and Next Year's Budgets and Rates

The District's budget for next year is relatively similar to the most recent year's actual expenses with the exception of changes to capital outlay. Capital outlay depends on financing and grants. No changes in budgeted tax revenues have been made for the next fiscal year. The tax rates are set to reach the same budgeted revenues.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's clerk at (435) 789-1651.

Uintah Water Conservancy District
STATEMENT OF NET ASSETS
December 31, 2005

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 396,431
Restricted cash	326,409
Due from other governments:	
Property taxes receivable	-
Other receivables	-
Accounts receivable	132,503
Prepaid expenses	-
Total Current Assets	<u>855,342</u>
Noncurrent Assets:	
Capital assets:	
Land	58,998
Buildings & equipment, net of accum. depreciation	2,992,576
Long-term notes receivable	<u>6,528,993</u>
Total Noncurrent Assets	<u>9,580,567</u>
Total Assets	<u><u>\$ 10,435,909</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 19,607
Accrued expenses	26,972
Deferred grant revenues	-
Current portion note payable	<u>248,308</u>
Total Current Liabilities	<u>294,887</u>
Non Current Liabilities:	
General obligation & revenue bonds	<u>6,920,455</u>
Total Non Current Liabilities	<u>6,920,455</u>
Total Liabilities	7,215,342
NET ASSETS	
Invested in capital assets, net of related debt	2,411,804
Restricted (capital projects, debt service reserve, etc.)	326,409
Unrestricted	<u>482,354</u>
Total Net Assets	<u>3,220,567</u>
Total Liabilities & Net Asset Balances	<u><u>\$ 10,435,909</u></u>

Uintah Water Conservancy District
STATEMENT OF ACTIVITIES
For the year ending December 31, 2005

Functions	Program Revenues			Total Governmental Activities
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Governmental Activities:				
Water conservation & distribution	\$ 1,552,091	\$ 496,219	\$ -	\$ -
Total Governmental Activities	<u>\$ 1,552,091</u>	<u>\$ 496,219</u>	<u>\$ -</u>	<u>\$ -</u>
				<u>\$ (1,055,871)</u>
				<u>\$ (1,055,871)</u>
General Revenues:				
Property taxes				887,697
Revenue from long-term agreements				246,227
Miscellaneous revenues				67,275
Earnings on investments				178,182
Transfers				-
Total General Revenues				<u>1,379,380</u>
				323,509
Change in Net Assets				
Beginning Net Assets				2,897,058
Ending Net Assets				<u>\$ 3,220,567</u>

See accompanying notes. Page 11

Uintah Water Conservancy District
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
December 31, 2005

Total Fund Balances for Governmental Funds **\$ 808,763**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land	58,998	
Water system, buildings, & equipment	3,568,527	
Accumulated depreciation	<u>(575,951)</u>	
		3,051,574

Long-term debt, for funds other than enterprise funds, are recorded in the government-wide financial statements but not in the fund statements. (7,168,763)

Long-term contracts receivable 6,528,993

Deferred property tax revenue includes delinquent property taxes in the fund statements but not in the government-wide statements. -

Total Net Assets of Governmental Activities **\$ 3,220,567**

Uintah Water Conservancy District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ending December 31, 2005

Net Change in Fund Balances--Total Governmental Funds **\$ (667,103)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	762,068	
Retirement of assets, book value	-	
Depreciation	<u>(91,631)</u>	
Net		670,437

Government funds do not report delinquent taxes as revenue because these revenues are not available for current period expenses.

Change in long-term notes receivable (not revenue to the gov. wide format)	75,431
--	--------

Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability.

Principal payments	244,744	
Loan proceeds	<u>-</u>	
		<u>244,744</u>

Change in Net Assets of Governmental Activities	<u>\$ 323,509</u>
--	--------------------------

Uintah Water Conservancy District
BALANCE SHEET--GOVERNMENTAL FUNDS
December 31, 2005

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Assets			
Cash	\$ 396,431	\$ -	\$ 396,431
Restricted cash	325,083	1,326	326,409
Due from other governments:			
Property taxes receivable	-	-	-
Other receivables	-	-	-
Accounts receivable	132,503	-	132,503
Prepaid expenses	-	-	-
Total Assets	<u><u>\$ 854,016</u></u>	<u><u>\$ 1,326</u></u>	<u><u>\$ 855,342</u></u>
Liabilities and Fund Equity			
<u>Liabilities</u>			
Accounts payable	\$ 19,607	\$ -	\$ 19,607
Accrued expenses	26,972	-	26,972
Deferred grant revenues	-	-	-
Total Liabilities	<u>46,579</u>	<u>-</u>	<u>46,579</u>
<u>Fund Balances</u>			
Fund balances:			
Reserved or restricted (Note 9)	325,083	1,326	326,409
Designated	162,164	-	162,164
Unreserved	320,190	-	320,190
Total Fund Balances	<u>807,437</u>	<u>1,326</u>	<u>808,763</u>
Total Liabilities and Fund Balances	<u><u>\$ 854,016</u></u>	<u><u>\$ 1,326</u></u>	<u><u>\$ 855,342</u></u>

Uintah Water Conservancy District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES—GOVERNMENTAL FUNDS
For the year ending December 31, 2005

	Governmental Funds		
	General	Debt Service	Total
Revenues			
Property taxes	\$ 887,697	\$ -	\$ 887,697
Water treatment fees	339,298	-	339,298
Pumping fees	20,155	-	20,155
Operation and maintenance fees	115,806	-	115,806
Interest income	16,487	-	16,487
Grants, federal and state	-	-	-
Green River application fees	20,960	-	20,960
Miscellaneous	67,275	-	67,275
Principal from long-term contracts	-	149,361	149,361
Interest from long-term contracts	-	161,695	161,695
Revenue from long-term sales commitment	-	21,435	21,435
Total Revenues	1,467,678	332,491	1,800,169
Expenditures			
Payroll and benefits	398,252	-	398,252
Water treatment and extra water costs	362,404	-	362,404
Unit operation and maintenance costs	115,067	-	115,067
Professional fees	8,905	-	8,905
Operating expenses	77,944	-	77,944
Administrative expenses	26,433	-	26,433
Project planning and assistance	12,723	-	12,723
Capital outlay	762,068	-	762,068
Capital outlay assistance (other entities)	240,896	-	240,896
Debt service:			
Principal	95,175	149,569	244,744
Interest	34,700	161,701	196,401
Long-term purchase agreement	-	21,435	21,435
Total Expenditures	2,134,567	332,705	2,467,272
Excess (deficiency) of revenues over expenditures	(666,889)	(214)	(667,103)
Other Financing Sources (uses)			
Loan proceeds	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(666,889)	(214)	(667,103)
Fund Balance at January 1, 2005	1,474,326	1,540	1,475,866
Fund Balance at December 31, 2005	\$ 807,437	\$ 1,326	\$ 808,763

Uintah Water Conservancy District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES--BUDGET VS ACTUAL--GENERAL FUND
For the year ending December 31, 2005

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 764,000	\$ 832,800	\$ 887,697	\$ 54,897
Water treatment fees	295,000	350,000	339,298	(10,702)
Pumping fees	25,000	20,155	20,155	-
Operation and maintenance fees	114,535	114,535	115,806	1,271
Interest income	20,000	23,000	16,487	(6,513)
Grants, federal and state	-	-	-	-
Green River application fees	11,654	29,654	20,960	(8,694)
Miscellaneous	44,200	55,737	67,275	11,538
Principal from long-term contracts	-	-	-	-
Interest from long-term contracts	-	-	-	-
Revenue from long-term sales commitment	-	-	-	-
Total Revenues	1,274,389	1,425,881	1,467,678	41,796
Expenditures				
Payroll and benefits	385,621	404,863	398,252	6,611
Water treatment and extra water costs	310,000	353,000	362,404	(9,404)
Unit operation and maintenance costs	132,200	131,000	115,067	15,933
Professional fees	10,000	10,000	8,905	1,095
Operating expenses	68,000	73,750	77,944	(4,194)
Administrative expenses	39,000	33,500	26,433	7,067
Project planning and assistance	25,000	15,000	12,723	2,277
Capital outlay	867,500	765,900	762,068	3,832
Capital outlay assistance (other entities)	233,000	447,237	240,896	206,341
Debt service:				
Principal	95,175	95,175	95,175	-
Interest	34,700	34,700	34,700	-
Long-term purchase agreement	-	-	-	-
Total Expenditures	2,200,196	2,364,125	2,134,567	229,559
Excess of revenues over expenditures	(925,807)	(938,244)	(666,889)	271,355
Other Financing Sources (uses)				
Loan proceeds	-	-	-	-
Excess of revenues and other financing sources over expenditures and other uses	(925,807)	(938,244)	(666,889)	271,355
Fund Balance at January 1, 2004	1,474,326	1,474,326	1,474,326	-
Fund Balance at December 31, 2004	<u>\$ 548,519</u>	<u>\$ 536,082</u>	<u>\$ 807,437</u>	<u>\$ 271,355</u>

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 1 Summary of Significant Accounting Policies

The Uintah Water Conservancy District was created in 1959 to develop and conserve water supplies for the benefit of Uintah County inhabitants, to construct, to operate, and to maintain facilities associated with these water resources. The District can be contacted by calling (435) 789-1651.

Reporting Entity— The accounting policies of Uintah Water Conservancy District conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the District has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and the (1) ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District has no component units and is not a component unit. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Indirect charges are not allocated to their various functions because the District maintains a general administration function to capture indirect costs.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund is service charges to customers for sales or service. The District also recognizes as revenue the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

The District does not have any proprietary funds.

Deposits and Investments—The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables—All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible amounts. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the non-current portion of interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Property Taxes—The property tax revenue of the District is collected and distributed by Uintah. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the County Auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The County Auditor makes approved changes in assessed value by November 1 and on this same date the County Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. The tax assessments are considered past due January 15 after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Utah State legislation requires motor vehicles be subject to an age based fee that is due each time a vehicle is registered. The age based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each County from motor vehicle fees is distributed by the County to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected by the County.

As of December 31, 2004, property taxes receivable by the District includes uncollected taxes assessed as of the January 1, 2004 or earlier. The County expects that all taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets—At times, the District may have funds set aside that are legally restricted or their use is limited by certain covenants. Restricted resources are applied first when eligible expenses are incurred.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

<u>Assets</u>	<u>Years</u>
Water canals and reservoirs	50
Water structures	40
Buildings and improvements	40
Machinery and equipment	10
Office furniture	7
Office equipment	5
Computer equipment	3

Compensated Absences—The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave because the government does have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations, retirements or certain limits.

Long-term Obligations—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications—Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Budgetary Data—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the District. The following procedures are used in establishing the budgetary data:

- Towards the end of each fiscal year, the council prepares the budget for all applicable funds.
- Copies of the budget are made available for public inspection for seven days prior to adoption.
- The Board holds a public hearing on or before December 22 of each year to receive public comment on the budget. Notice of such meeting to be published in newspaper or posted 2 weeks prior to hearing.
- By December 22, the proposed tax rate and budget is adopted by resolution or ordinance. If there is no increase in the certified tax rate, a final budget is adopted by December 22. A copy of the budget is certified by the budget officer and filed with County Auditor within thirty days of adoption.
- The proposed or final tax rate must also be submitted to the County Auditor by June 22. If the District sets a proposed tax rate which exceeds the certified tax rate, it shall not adopt its final budget until the public hearing has been held. Until the hearing is held and a final budget and tax rate are adopted, the District may expend monies based on, 1) its tentative budget after adoption, or 2) its prior year's adopted final budget as amended, which must be readopted by resolution at a regular meeting of the governing body. Latest possible date for adoption in the case of an increased tax rate is August 17 (copy due to the County Auditor within thirty days of adoption). Budgeted property taxes are the basis for determining the property tax levy.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget in a fund after meeting notification and public hearing.

Note 2 Capital Assets

A summary of capital asset activity is listed below. These figures include the proprietary funds.

	Balance Dec 31, 2004	Increases	Decreases	Balance Dec 31, 2005
Governmental Funds:				
Water conservation & distribution	2,912,801	762,068	(47,344)	3,627,525
Sub-total	2,912,801	762,068	(47,344)	3,627,525
Accumulated Depreciation:				
Governmental funds	(531,664)	(91,631)	47,344	(575,951)
Sub-total	(531,664)	(91,631)	47,344	(575,951)
Net Totals	\$ 2,381,137	\$ 670,437	\$ -	\$ 3,051,574

Depreciation expense of \$91,631 for the year ended December 31, 2005 was allocated to the water conservation and distribution function of the District.

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 3 Cash Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Association follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Association funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash	\$ 396,431	Checking	\$ 9,704
Restricted cash	326,409	Utah Public Treasurer Pool	713,136
Totals	<u>\$ 722,840</u>		<u>\$ 722,840</u>

Deposits

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The Association does not have a formal deposit policy for custodial credit risk. As of December 31, 2005, \$0 of the Association's bank balances of \$24,502 was uninsured and uncollateralized. The District had a carrying balance in their checking account of \$9,704.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Association and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Association to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	713,136	713,136	-	-	-

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2005, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	713,136	-	-	-	713,136

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Association's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 4 Long-term Obligations and Notes Receivable

Many of the District's long-term obligations have corresponding note receivables from various government entities that the District serves. Changes in the long-term obligations and the notes receivable for year ending December 31, 2005 are as follows:

Long-term Obligation	Dec. 31, 2004	Additions	Deletions	Dec. 31, 2005	Amount Receivable from Other Entities	Current Portion of Debt
A--4,600 acre/feet allotment of irrigation water per year from the Jensen Unit. Annual payments of \$15,000, 0.00%, final payment 2034.	\$ 450,000	\$ -	\$ 15,000	\$ 435,000	\$ 427,122	\$ 15,000
B--17,900 acre/feet allotment of irrigation water per year from the Vernal Unit. Annual payments of \$30,000, 0.00%, final payment 2015.	328,567	-	30,000	298,567	298,339	30,000
C--2,000 acre/feet allotment of municipal and industrial water per year from the Jensen Unit. Annual payments of \$226,585, 3.22%, final payment 2037.	4,562,865	-	79,569	4,483,296	4,462,209	82,133
D--Safety of Dams Act in connection with an allotment of 17,900 acre/feet of irrigation water per year, the District agreed to pay the Bureau (and the Water users agreed to pay the District) \$840,000 for dam modification work done to comply with the "Act." Annual payments of \$30,000, 0.00%, first payment 2016, last payment 2043.	840,000	-	-	840,000	840,000	-
E--1999 Series Revenue Bonds issued connection with the Reach III project. Bonds are payable in annual payments of approximately \$25,000, 3.00%, final payment 2020.	302,000	-	16,000	286,000	285,323	17,000
F--Zions Bank Line of Credit, variable prime adjusted %, annual payments of \$100,000 plus interest, final payment 2011.	630,075	-	92,175	537,900	-	92,175
G--2004 CIB Revenue Bonds, due in annual installments ranging from \$12,000 to \$18,000, through year 2025; interest at 2.5%	300,000	-	12,000	288,000	216,000	12,000
Totals	<u>\$ 7,413,507</u>	<u>\$ -</u>	<u>\$ 244,744</u>	<u>\$ 7,168,763</u>	<u>\$ 6,528,993</u>	<u>\$ 248,308</u>

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

The annual requirements to amortize all debt outstanding as of December 31, 2005 are as follows:

Year	Principal	Interest
2006	\$ 248,308	\$ 192,237
2007	250,955	183,296
2008	255,686	174,270
2009	258,506	165,101
2010	262,416	155,841
2011-15	988,843	672,437
2016-20	1,001,440	553,935
2021-25	1,001,781	432,644
2026-30	1,050,877	307,048
2031-35	1,177,781	165,144
2036-40	582,170	20,997
2041-45	90,000	-
Totals	<u>\$ 7,168,763</u>	<u>\$ 3,022,950</u>

Note 5 Reserved Net Assets

The District has reserved net assets to comply with bond covenants, Bureau of Reclamation requirements, and capital projects pending.

Board designated capital projects	\$ 162,164
Grant revenues	\$ 17,237
Bond reserves	185,699
Application fees	<u>123,473</u>
Total	<u>\$ 488,573</u>

Note 6 Exposures to Risks of Loss

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to reimburse its losses, subject to limitations and deductibles, for many of the identified risks. The District is insured for commercial liability and auto liability up to a maximum of \$1,000,000 per accident or loss. The District's office building and shop are insured against property damage. The District's other assets, including automobiles and other equipment, are not insured against property damage. District employees are insured for job related injuries through the Utah Workers Compensation Fund. The District also provides medical insurance coverage for employees the Public Employees Health Program.

Note 7 Construction Commitments

Construction budgeted for the year 2006 are estimated at \$283,000.

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 8 Interest Expense

Interest expense has been included as direct function expenses in the Statement of Activities. The water conservation and distribution function of the general fund was charged \$196,401 interest expense.

Note 9 Employer contributing to a Cost-sharing Multiple-Employer Defined Benefit Pension Plan

Plan Description. The District contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. For January-June 2005 and July-December 2005 respectively, plan members in the Local Governmental Noncontributory Retirement System are required to contribute 0.00% of their annual coverage salary (0.00% is paid by the District for the employee) and the District is required to contribute 11.09% and 11.09% of their annual coverage salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions. The District's contributions to the Local Governmental Noncontributory Retirement System for the years ending December 31, 2005, 2004, and 2003 were as follows. The contributions were equal to the required contributions for each year.

Salary Subject to Retirement Contributions	Year Ended June 30	Employee Paid Contributions	Employer Paid for Employee Contributions	Employer Contributions
\$ 174,016	2005	n/a	n/a	\$ 19,299
\$ 171,806	2004	n/a	n/a	\$ 17,873
\$ 148,331	2003	n/a	n/a	\$ 13,595

The District does participate in a 401(k) plan. These assets are in the employees name and the District has no right to the 401(k) contributions. For the years 2005, 2004, and 2003 respectively, the employees contributed \$1,430, \$1,485, and \$1,290 and the employer contributed \$11,672, \$11,181, and \$9,490.

Note 10 Beginning Government-wide Net Assets

Corrections were made to beginning net assets balance in the Statement of Activities. Capital assets were reduced to correct for the asset balances that the District assisted in construction but does not own. Long-term contract receivables were also included in order to reflect the receivable balances from various entities that are obligated to assist the District in making various loan payments.

Uintah Water Conservancy District
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

Note 11 Purchase Commitments

The District has a commitment to the U.S. Bureau of Reclamation regarding water acquired from the Vernal Unit of the Central Utah Water Project. The District has a similar commitment from the users of the water. Thus, costs are passed on to the water users. The District's year 2005 is the 44th year of a 50 year agreement to purchase 1600 acre/feet/year. The annual purchase commitment for this last decade is estimated to be \$35,470.

Compliance and Management Section



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
and
UTAH ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Uintah Water Conservancy District

We have audited the general purpose financial statements of Uintah Water Conservancy District as of and for the year ended December 31, 2005, and have issued our report thereon dated February 4, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Uintah Water Conservancy District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aycock, Miles & Associates, CPAs

February 4, 2006



AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
and
UTAH ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

Utah State Compliance Report

Board of Directors
Uintah Water Conservancy District
Vernal, Utah

We have audited the general purpose financial statements of Uintah Water Conservancy District, Vernal, Utah, for the year ended December 31, 2005, and have issued our report thereon dated February 4, 2006. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Purchasing Requirements
Property Tax

Cash Management
Budgetary Compliance
Other Compliance Requirements

The District received no major funding grants.

The management of Uintah Water Conservancy District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance.

In our opinion, the Uintah Water Conservancy District, Vernal, Utah, complied, in all material respects, with the general and major compliance requirements identified above for the year ended December 31, 2005.

Aycock, Miles & Associates, CPAs

February 4, 2006